

EXECUTIVE SECRETARIAT
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3637 (10-81)

4 Apr 85
Date

THE WHITE HOUSE
WASHINGTON

943/1

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 4/2/85 Number: ----- Due By: -----

Subject: Cabinet Council on Management and Administration Minutes

March 7, 1985 Meeting

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REMARKS:

Attached for your information are the minutes of the March 7, 1985 meeting of the Cabinet Council on Management and Administration.

RETURN TO:

☐ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☒ Tom Gibson
☐ Larry Herbolsheimer

Associate Director



L3009

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

MINUTES

March 7, 1985 - Meeting #36

2:00 p.m. - The Cabinet Room

Participants: The President, Meese, Baldrige, Casey, Bennett, Herrington, Walters, L. Smith, Svahn, Ford, Taft, McLaughlin, C. Baker, Knapp, Burnley, Wright, R. Smith, Ink, Niskanen, Cribb, Verstandig, Kingon, Bledsoe, Fitzwater, Risque, Baroody, Chapman, Murphy, Nesterczuk, Kline.

o Federal Management. The President began the meeting by reading from his March 4, 1985 memorandum on Management of the Federal Government, and encouraging department and agency heads to actively carry out our second term management initiatives.

1. Real Property Management. Attorney General Meese introduced Dwight Ink, newly appointed Deputy Administrator of General Services Administration, and Ray Kline, who recently retired as Acting GSA Administrator, and who was chairman of the CCMA Working Group on Real Property Management. Mr. Meese briefly reviewed concerns over shortcomings in management of the Federal government's real property resources, and the reasons for establishing the working group. Mr. Kline described the goals, charter and membership of the working group, and past efforts to achieve savings in the management of Federal buildings, lands and leased work space. He mentioned that the working group met with property managers from Prudential Life, Harvard, and the U.S. Postal Service, in addition to numerous managers from major Federal agencies.

Mr. Kline stated general findings that while some progress has been made to achieve savings, there is no overall Administration policy for reforming property management, little accountability in agency planning and management, too much micro-management by Congress, and inadequate information about Federal land holdings. The major recommendations of the working group related to these areas.

It was recommended that CCMA be the forum for approval of Presidential policy; that agencies adopt more effective real property planning and management practices; that GSA be made responsible for real property management policy development and oversight; that OMB require and review agency property management improvement plans and savings, disposal, and reductions targets; that OMB and GSA cooperatively develop better information about Federal property holdings, and propose legislative changes in support of improved management; and that the Agriculture and Interior Departments continue to streamline management of public lands. It was also recommended that a directive be issued to set these activities in motion.

-2-

Mr. Meese indicated that congressional review and approval of individual transactions was particularly troublesome, and that Justice will examine potential changes in this area. The President acknowledged the problem of public lands management, including "checker-boarding" of public and private lands, and alternating responsibilities of Agriculture and Interior for management of adjacent lands. Ms. McLaughlin stated that Interior and Agriculture are working together to bring about better management practices and division of responsibilities. Mr. Svahn stated that our focus on sales of individual surplus properties that are not public lands is having some payoff, but that problems still exist.

Mr. Kline mentioned the difficulty in placing values on many Federal properties. Mr. Wright supported the establishment of sales and other targets in the OMB management review process, and stated that if legislative proposals are ready, they can be incorporated into the broader management legislation to be sent to Congress in March or April. Mr. Svahn announced the sale of Hamilton AFB, after ten-years of negotiation and litigation. Mr. Ink stated that the \$45 million sale price was more than twice what we had anticipated. The President stated that it was important that proceeds from the sales of these properties go to the Treasury, except when funds were needed to cover situations created by the sale.

Mr. Meese recommended that the President approve the report and authorize issuance of a memorandum or executive order directing implementation of the working group's recommendations.

ACTION: The President approved the report and directed issuance of an executive order consistent with the recommendations of the working group.

2. Federal Pay Comparability. Mr. Meese briefly reviewed the problems associated with the annual BLS survey of private sector, white collar pay, the annual recommendations of the President's Pay Agent (OPM, OMB, DoL), and the alternative pay plans that the President has sent to Congress for the past several years. He indicated that this process lacks credibility, yet continues to be used despite the shortcomings and costs.

Mr. Taft, chairman of the CCMA Working Group on Federal Pay Comparability, described the efforts of the working group, indicating that its initial results had been included in the 1984 Pay Agent report. He pointed out specific problems of the comparability survey as including the absence of state and local government employee salaries and salaries of employees of small businesses. The working group evaluated four options: making no change, administratively reweighting the factors in the existing survey, expanding the scope of the survey to include additional employee salaries, and reviewing transition from technical comparability to market models for setting and adjusting pay.

-3-

Mr. Taft stated that the working group's recommendation is that the scope of the survey be expanded over the next few years and that the 1985 Pay Agent report (for FY 1986 pay) present suggestions on how market models that consider workforce quality and turnover can be incorporated into the pay-setting process. Mr. Meese indicated that the Cabinet Council endorsed the recommendations of the working group. Mr. Ford mentioned that although funds were not now in the Labor budget for increasing the scope of the survey, that matter would be taken up with OMB. The President asked if there are provisions to recognize geographical differences in pay. Mr. Svahn, Mr. Ink, and Mr. Nesterczuk commented on this issue. At present, the only adjustments in white collar pay for local conditions are increases for high cost areas, such as Alaska and Hawaii.

ACTION: The President approved the recommendations. He directed that the annual pay comparability survey be expanded, that the President's Pay Agent develop additional management pay-setting tools which consider workforce quality and turnover, and that the FY 1986 Pay Agent report be submitted through CCMA with progress information and recommendations on the use of market models in setting Federal white collar pay.

EXECUTIVE SECRETARIAT ROUTING SLIP

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6 March 1985
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3637 (10-81)

CABINET AFFAIRS STAFFING MEMORANDUM

Executive Registry

85- 943

Date: 3/5/85 Number: 169149CA Due By:

Subject: Cabinet Council on Management and Administration with the President-
Real Property Management
March 7, 1985 - 2:00 P.M. - Cabinet Room TOPIC: Federal Pay Policy

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REMARKS:

The President will chair a meeting of the Cabinet Council on Management and Administration on Thursday, March 7, at 2:00 P.M. in the Cabinet Room. All Cabinet Members are encouraged to attend.

The background papers are attached.

RETURN TO:

☐ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Tom Gibson
☐ Larry Herbolsheimer

Associate Director
Office of Cabinet Affairs

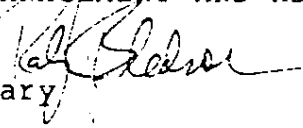
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THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

FROM: RALPH C. BLEDSOE 
Executive Secretary

SUBJECT: Meeting Agenda for 3/7/85

On Thursday, March 7, the President will chair a meeting of the Cabinet Council on Management and Administration, at 2:00 p.m. in the Cabinet Room. Two topics will be discussed.

Real Property Management. The first agenda item will include a report by the CCMA Working Group on Real Property Management. An Executive Summary of the report is enclosed with this memorandum. Your representative to the CCMA Executive Secretariat has been furnished with the entire two-volume report, and has discussed this issue at Secretariat meetings. Recommendations for improved management of Federal real property, as outlined in the Executive Summary, will be presented to the President for his decision.

Federal Pay Policy. The second agenda item will include a report by the CCMA Working Group on Federal Pay Policy, a copy of which is enclosed. The Final Report contains action options for improving the Federal pay comparability system, as discussed at a CCMA Planning Meeting on September 4, 1984. The revised options will be presented to the President for his decision.

If you have questions about either of these agenda items, please contact me at 456-6640.

**REPORT OF THE WORKING GROUP ON
REAL PROPERTY MANAGEMENT**

EXECUTIVE SUMMARY

The Cabinet Council on Management and Administration's Working Group on Real Property Management was established on September 20, 1984 to conduct a 120 day study to identify improvements needed to manage Federal real property as a national asset and in the best interests of the American taxpayer. The Working Group was charged with making recommendations to strengthen real property management, ensure accountability, and provide enhanced information for decision making.

The Departments of Agriculture and Interior hold 95% of the 732 million acres of Federal lands. Owned building space totaling 2.6 billion square feet is primarily controlled by the Department of Defense (70%), the Veterans Administration, the General Services Administration, and the United States Postal Service. The government also spent almost \$1.2 billion in FY 1983 to lease property in the United States.

While it is not possible to specify the total annual cost or value of the complete inventory of real property, the potential savings from improved government-wide real property management are impressive. The CCMA Workspace Management initiative estimated that annual savings of as much as \$1.8 billion can be achieved by reducing Federal work space. The President's Private Sector Survey on Cost Control estimated third year savings of \$841 million from implementation of real property management improvements. Revenues of \$1.25 billion were projected by the Property Review Board to be generated through increased property disposals.

The Working Group's report contains a comprehensive look at Federal real property management practices. Key findings are:

- o There is no central place in the government where real property management policy is established or coordinated.
- o There are a lack of incentives for improved performance. Agency management is seldom held accountable.
- o Real property data which would allow better management and control are generally unavailable or unreliable.
- o Present legislative authorities do not provide sufficient flexibility.

The principal recommendations in the report to enhance Federal management of real property assets are:

- o The CCMA should be the forum in which the President approves real property management policies.
- o The GSA should manage multiple tenant and general purpose space; delegate operational responsibility, with resources, to agencies having the willingness and capability to manage such delegations and where this is cost effective; and provide government-wide policy oversight in support of the CCMA.
- o The OMB should assure that agencies develop real property management plans, including targets (sales, space reductions, productivity improvements, etc.), through the management review and budget processes.
- o Agencies should establish internal systems of accountability for real property management.
- o Proceeds from the disposal or transfer of properties should be used to help retire the national debt and to further improve and support property management.
- o The world-wide inventory of real property should be improved. GSA should also develop a generic real property management information system for government-wide use.
- o Proposals should be submitted to the Congress to eliminate certain sections of the Economy Act of 1932, to eliminate the Congressional prospectus process, and to authorize alternative financing techniques for acquiring and disposing of real property.
- o The Departments of Agriculture and Interior should improve the management of public lands by streamlining procedures and submitting needed legislation. Whenever appropriate, the fair market value concept should be used.

The next critical steps to be taken by the CCMA are an acknowledgment that major changes are necessary, a commitment to real property management improvement, and the resolve to keep the pressure on to accomplish improved performance.

Upon approval of this report, these steps should be taken:

- o Issue an Executive Order or Presidential memorandum outlining the Administration's real property initiative.

- o Submit to the Congress needed legislative changes.
- o Initiate agency preparation of annual real property management improvement plans by OMB direction and encourage agency leadership to strengthen internal real property accountability.
- o Initiate several studies to look at: alternatives to the Federal Buildings Fund; financing options; interagency transfer payments; outgranting; consolidated services and lead agency opportunities; and potential interests arising from grant, contract, and loan activities; and implementation of fair market inventory valuation. These studies should be completed by the President's Council on Management Improvement under CCMA direction.

FINAL REPORT - WORKING GROUP ON WHITE COLLAR PAY

Background

The CCMA Working Group on Federal Pay Policy was announced on December 19, 1983. This group includes Dick Lyng, Deputy Secretary of Agriculture; Danny Boggs, Deputy Secretary of Energy; Lowell Jensen, Acting Deputy Attorney General; Ford Ford, Under Secretary of Labor; Jim Burnley, Deputy Secretary of Transportation; Don Devine, Director, Office of Personnel Management; Connie Horner, Associate Director of the Office of Management and Budget; and is chaired by William H. Taft, IV, Deputy Secretary of Defense.

The Working Group was tasked to review the current pay comparability system described in statute and to recommend better ways of making pay decisions. For the past six years, the U.S. Presidents have adopted alternative pay plans rather than accept the results of the current comparability process in determining Federal pay raises. The issue is important to the Administration because it involves large budget figures, and because of the personnel management concern for a reliable and fair compensation system which supports employee morale. The cost of the 3.5 percent pay raise for FY 1985, delayed until January 1985, is \$1 billion.

The Working Group was tasked with providing an interim report to CCMA on March 30 and a final recommendation on April 27, 1984. Working Group level meetings were held on March 12, March 29, May 29, and June 1. In addition, a staff study team was formed in January to provide analytic and staff support, and OPM contracted with a consulting firm, TPF&C, to provide an independent evaluation of OPM's proposals to adjust pay comparability measures.

The report was presented to the CCMA on September 4, 1984. At that time, the CCMA recommended that the Working Group specifically consider the results of an ongoing OPM study of market model approaches and incorporate quit rate concepts in the presentation at a CCMA meeting with the President. OPM transmitted its study on December 12, 1984.

Discussion

There was general agreement among Working Group members that the current PATC survey has resulted in unrealistically high pay increase estimates. These high estimates have been a function of the scope of current PATC survey which by past practice, underrepresents small firms, certain service occupations, and administrative occupations. By law, state and local government data are excluded from the data base. The annual use of the alternative pay plan has permitted the Administration to achieve pay raises which were in keeping with budget targets. However continuing to follow the mechanics of a system which projects

that a pay raise of over 20 percent would be necessary to comply with technical comparability, and then annually rejecting the results of that process contributes to political and work force morale problems.

The principal options for changing the pay adjustment mechanism discussed by the Working Group were:

- o Retain current system
- o Administratively reweight the current PATC survey (OPM proposal)
- o Administratively/legislatively expand the scope of the current survey (DoL proposal)
- o Review transition from technical comparability to market models
- o Some combination of the above.

The Working Group evaluated the options in terms of a specific recommendation for setting pay in 1985 and in terms of setting policy direction for determining future pay adjustments. The Working Group considered the range of options in terms of budget considerations, management objectives, political considerations, work force morale, and technical and methodological issues.

Option 1 - Make no change.

Continuation of the current system over the long term was not endorsed by the Working Group. The consensus was that this system surveys a too narrow scope of the work force and has projected a pay increase of over 20 percent. These results are politically and fiscally unacceptable to the legislative branch, executive branch, and the public. They have produced work force morale problems, and are not practically linked to the ability to attract and retain the required work force. However, making no change was considered a realistic option in 1985. The alternative pay plan levels have already been identified in the budget and endorsed by Congress in the Budget Reconciliation Act.

Option 2 - Administratively reweight the existing PATC survey.

Various alternatives to reweight the results of the current PATC survey were offered by OPM. The original reweighting scheme included four factors:

- o reweight for small firms
- o use entry rates
- o weights for administrative workers
- o eliminate the extremes.

This proposal had been recommended by OPM in 1984, but not adopted by the Pay Agent in that year. The original administrative reweighting scheme was independently evaluated in three reviews: by Leon Greenberg, under contract to the Advisory Committee on Federal Pay; by the Statistical Review Group made up of professional statisticians and economists from federal agencies; and by the compensation consulting firm, TPF&C, under contract to OPM. Each of these studies identified technical shortcomings in the existing OPM proposal. The Working Group agreed that administrative reweighting is an option but could not endorse the original OPM proposal due to consistently identified technical flaws. Nor could the Working Group endorse the alternative OPM reweighting options either for 1985 or for the long term. The Working Group endorsed publication of alternative indicators of wage and salary change to demonstrate the unreasonably high level of the annual comparability result. A majority of the Pay Agent members will decide on the particular indicators to be used, which could include OPM's reweighting proposal, the Employment Cost Index (ECI), wage settlement data, among others.

Option 3 - Expand the scope of the current PATC survey.

The DoL offered a plan, to be accomplished by 1987, to address gaps in the current PATC survey through a series of administrative and legislative initiatives to broaden the scope of the PATC survey. This plan would:

- o expand the PATC survey to smaller establishments (20 workers) in 1985
- o include additional service industries and non-profit organizations not now surveyed
- o survey state and local governments and seek legislation for inclusion in PATC.

This proposal appealed to the Working Group as a long term consideration. It presented a positive course of action which would address existing deficiencies of the PATC in a methodologically sound manner. Development/endorsement of such a plan could be part of the 1985 President's Pay Agent report. Implementation of this plan requires resource adjustments.

Option 4 - Review transition from technical comparability to market models as a basis for setting and adjusting pay.

Little consideration was given to this alternative by the Working Group. However, Working Group discussions often focused on issues such as impact of pension reform on retention, which could be addressed by market model techniques.

A market model would set total pay for Federal employees at levels no higher than necessary to cost-effectively recruit and retain the quality and quantity of personnel necessary to perform the work. The market model technique would specifically consider Federal work force occupation and experience mix objectives and

the sensitivity of that labor force to relative compensation levels. Then compensation adjustments can be gauged to cost-effectively align accession and retention patterns with work force occupation and experience mix objectives. Successful application of this approach in setting pay policy requires that the membership of the President's Pay Agent first develop and endorse models which reliably project how compensation changes affect Federal work force behavior. Such models currently under development in the Department of Defense may serve as a point of departure. Once the effect of compensation changes on labor force behavior is estimated, the Pay Agent report can incorporate consideration of quit rate behavior in pay recommendations. Comparisons of quit rate data need careful evaluation. The size of the Federal work force masks work force turbulence due to job moves within the system which may or may not affect compensation. Setting pay to achieve separation rates for a basically full-time permanent, high skill white collar Federal labor force that are similar to a low skill blue collar private sector work force could cost the government more in work force inefficiency than is saved on reduced compensation. The members of the President's Pay Agent should evaluate how demographic characteristics of the work force, occupations, work force size, and other factors affect quit rate behavior in evaluating how to apply market models to adjust quit behavior. The annual President's Pay Agent report could encourage development of these and other labor market indicators as additional tools to evaluate Federal pay. The Pay Agent report could also note progress and serve as a status report on how these tools are being applied. The OPM report, "Reforming Federal Pay: An Examination of More Realistic Pay Alternatives," prepared for the CCMA to support this Working Group serves as useful initial discussion of market model applications which can be further developed by the Pay Agent members.

Working Group Recommendations

1. The Working Group supports pursuit of a series of reforms over the next three years to expand the scope of the PATC in a way that corrects PATC shortcomings (Option 3). These reforms will be incremental; the President will retain alternative pay plan authority throughout.
2. The President's Pay Agent report for 1985 should include a frank critique of the present system's technical shortcomings. The report would include the comparability adjustment based on current methodology as well as illustrative examples of what the comparability figure would be using various other indicators as described. The Pay Agent report will not endorse any of these specific indicators.
3. Development of additional management tools which specifically consider work force indicators such as quality and turnover should be encouraged because of difficulties in measuring total pay comparability in combination with working conditions.

The report of the President's Pay Agent for FY 1986, made in the summer of 1985, should document progress in developing these tools and make specific recommendations for applying market models to the annual pay adjustment process. This Pay Agent report should be presented to the President through the Cabinet Council on Management and Administration.